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Testimony in favor of SB 1044, AAC the Recoupment of State Costs Attributable to Low Wage Employers.

Submitted by Lindsay Farrell, State Director of the Working Families Organization.

Co-Chair Senator Moore, Co-Chair Representative Abercrombie, Ranking Member Senator Markley, Ranking Member Representative Wood, and all the other members of the Human Services Committee:

Working Families is a growing progressive political organization that fights for an economy that works for all of us, and a democracy in which every voice matters. We believe that our children's life chances must not be determined at birth, and that America must be a nation that allows all its people to thrive. We believe that our economy is out of whack when wages are stagnant and good jobs are harder and harder to come by, but the very wealthiest just get richer and richer.

Again, we face a budget shortfall and need solutions to address our state's deficit. Every year, it seems, we come here and do a song and dance about which programs the neediest in our state will have to do without because we are unwilling to hold the most profitable corporations accountable. So let's be clear about who the real bad guys are when it comes to budget problems: it is not the hard-working, poor families who just want more hours and decent compensation – it is the large, profitable corporations who mistreat their workforce and depend on the rest of us to subsidize their profits.

| ~~Some of~~Often the most exploitative employers in Connecticut are these large, profitable corporations. Corporations like Walmart, McDonald's, and others have developed money-making models that rely on their employees receiving public subsidies such as HUSKY, Food Stamps, Earned Income Tax Credits, Housing, child care, and others. A lot of these offenders are large chains with enormous power and influence and executives that get paid exorbitantly. For example, McDonald's made 5.4 billion dollars in 2012 and paid its CEO \$13.7 million.¹

| Meanwhile, these employers keep wages for their workers extremely low to decrease their costs and maximize their profits. This is not an unfortunate byproduct of the marketplace, it is a chosen business practice, adopted to outsource costs that are typically the responsibility of an employer onto public budgets.

In the United States, between 2007 to 2011, the public benefits programs that many of these low-wage workers are forced to rely on spent \$243 billion each year on working families living in poverty.

¹ "Super-sizing Public Costs: How Low Wages at Top Fast Food Chains Leave Taxpayers Footing the Bill" NELP, October 2013

[LF1]Nationally it costs American taxpayers nearly \$7 billion dollars each year to provide public assistance to fast-food workers and their families. Wal-Mart workers at one single Wal-Mart Supercenter rely on public benefits ranging from 904,000 to 1.7 million per year,² and there are over 40 Walmart locations in Connecticut. According to an Office of Legislative Research report from 2011 nearly 28,000 workers and their family members who were employed at Wal-Mart, McDonald's, Dunkin Donuts and 22 other huge companies were enrolled in HUSKY.

Those who work hard for a living should not have to rely on public subsidies in this way. These costs are borne by taxpayers and are costing our state millions of dollars, while these corporations enjoy the benefits. It is middle class families who subsidize big corporations by paying for healthcare, child care and other services when highly profitable corporations don't pay their employees enough to get by.

Working Families believes a healthy safety net should be protected and adequately funded for those who need it,ed but it should not be exploited to subsidize corporate profits.

This bill gives these large employers a choice: they can either pay their workers \$15 an hour or they can pay a fee of \$1 per hour back to the state to reimburse us all for the expense of their poverty wages. We believe this is a reasonable approach to the issue — one that will both incentivize these corporations to pay their workers a decent hourly wage and hold them accountable to the workers and the public when the do not.

An important feature of this legislation is that it directs generated revenue towards programs that directly benefit low-wage workers. The funds are directed towards child care and healthcare services that help meet basic needs for working families. With this legislation we aim to right a wrong – the mistreatment of working moms and dads by greedy corporations with unfair wages – so let's ensure that the revenue generated does, in fact, go towards programs that help those workers.

We also consider SB 1044 part of our Women's Economic Agenda this year, as workforce trends emerge that place women disproportionately in the low-wage jobs addressed in this legislation. Despite the victories that we have secured for workers in the state, women continue to face very serious disparities in a changing economy. The Census Bureau recently reported that the gender pay gap between men and women remains practically unchanged with women still making 78 percent of what men earn. For women of color, the gap is even larger—African American women make 64 percent and Latina women make 55 percent of what every white man makes.

Our economy is changing—more and more women are joining the workforce and becoming the primary breadwinners or co-breadwinners of their households. There are 179,335 households in Connecticut that are headed by women but unfortunately 25% of those households have incomes that fall below the poverty level.³ We believe that there are many factors that contribute to the gender pay gap in our state and therefore closing it will actually require multiple policy changes that will ensure that women are guaranteed

² The Low-Wage Drag on Our Economy: Wal-Mart's Low Wages and Their Effect on Taxpayers and Economic Growth, Democratic Staff of the U.S. House Committee on Education and the Workforce, May 2013

³ U.S. Census Bureau. (2012). American Community Survey 1-Year Estimates 2011, Geographies: All States within United States, Table DP02: Selected Social Characteristics in the United States. Retrieved 22 March 2013, from http://factfinder2.census.gov/faces/tableservices/jsf/pages/productview.xhtml?pid=ACS_11_1YR_DP02&prodType=table (Calculation uses households headed by females living in a household with family and no husband.)

rights at the workplace, good wages and benefits, and that SB 1044 is among the policy solutions to this chronic problem.

Thank you for your consideration of this legislation, and we urge the committee to pass SB 1044.